

EXHIBIT B

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TESTIMONY OF

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**SUBMITTED TO THE SENATE COMMITTEE ON
APPROPRIATIONS SUBCOMMITTEE ON FINANCIAL
SERVICES AND GENERAL GOVERNMENT**

WASHINGTON, D.C.

SEPTEMBER 12, 2007

Good morning Mr. Chairman and members of the committee. My name is Robert Eckert, and I am the Chairman and CEO of Mattel. Thank you for inviting me to appear before you today to discuss the vital issue of the safety of our children's toys. We have made a priority of communicating openly and frequently about our recent recalls, and I welcome the opportunity to do so again today.

Like many of you, I am a parent. I, like you, care deeply about the safety of children. And I, like you, am deeply disturbed and disappointed by recent events. As to lead paint on our products, our systems were circumvented, and our standards were violated. We were let down, and so we let you down. On behalf of Mattel and its nearly 30,000 employees, I apologize sincerely. I can't change the past, but I can change the way we do things. And I already have. We are doing everything we can to prevent this from happening again.

What has made these events particularly upsetting is that Mattel has long had in place what we believe are some of the most rigorous safety protocols in the toy industry. The vendors who manufacture our products are contractually obligated to comply with the same safety standards that apply to the products that Mattel manufactures in our own plants, including, for example, those governing lead levels in paint.

For years, Mattel has: required vendors to purchase paint from a list of certified suppliers or test the paint that they used to ensure compliance with the established standards; audited the certified paint suppliers to ensure compliance with lead level standards; periodically audited vendors to ensure that they are complying with paint requirements; conducted lead level safety tests on samples drawn from the initial production run of every product; and had protocols for further recertification testing for lead on finished product.

Unfortunately, despite these many safeguards, some Mattel toys with unacceptable levels of lead paint made it into the marketplace. I know this subcommittee and the American people want to know how this happened and what steps we are taking to best ensure this does not happen again.

First, let me address the recalls. As you know, we conducted three lead paint-related recalls over the past several weeks. Each of these was a voluntary recall executed through the CPSC's fast-track process. We have worked closely, openly, and quickly with the CPSC to accomplish them, and I am personally grateful to the Commission for its prompt and professional handling of these matters.

We also moved aggressively to ensure that we had our arms around the issue. We held all products in Asia, whether made at a Mattel facility or vendor facility, and we undertook additional testing on a massive scale. With respect to the products in Asia, for example, we examined samples of the toys to ensure that we identified any products with paint that violated applicable lead standards. This testing was applied to even the smallest part of each toy to identify any non-complying paint, no matter how minor the use.

Out of an abundance of caution, Mattel decided to be over-inclusive in the products we recalled. We did not just recall those specific toys that tested positive for lead paint. Instead, we recalled additional toys where our investigation of the circumstances suggested that some of those toys might be affected by non-complying paint, even though the tested samples of those

toys were fine. Even with this massive testing program and cautious approach to identifying non-compliant products, we have recalled due to lead paint less than one half of one percent of the toys that we've produced over the last 12 months. I'd rather that number was zero.

One reason why I was so upset by recent events is that, as noted above, Mattel is well known for setting and maintaining some of the highest quality and safety standards and procedures in the industry. They have been in place and worked effectively for many years. And yet here we are today. Why?

Our own extensive investigation, which is continuing, has uncovered that certain vendors or their subcontractors violated our well-established rules. In some cases, they appear to have been careless. In others, they appear to have deliberately avoided doing what they knew they were required to do. In several instances, vendors failed to identify subcontractors or facility locations, even though it was mandated that they do so. Some vendors failed to provide certified paint to their subcontractors, while another vendor did not perform the mandated test on paint. We have already terminated relationships with some vendors and subcontractors, and we are continuing to investigate others.

Obviously, we know that parents are looking to us to see what we're doing to improve our system to make people live up to their obligations and meet our standards. We have acted quickly and aggressively by immediately implementing a strengthened 3-point safety check system to enforce compliance with all regulations and standards applicable to lead paint:

First, every batch of paint must not only be purchased from a certified paint supplier but also be re-tested before it is used, to ensure compliance with lead standards. The sample tests must be performed either by Mattel's own laboratories or by laboratories certified by Mattel, with vendors making test reports available to Mattel.

Second, paint on samples of finished products from every production run must be tested for lead either by Mattel's own laboratories or by laboratories certified by Mattel to ensure applicable standards are met before toys reach store shelves.

Third, Mattel has increased the frequency of random, unannounced inspections of vendors and subcontractors for compliance with our quality and safety procedures, including the applicable lead paint standard. We have commenced and anticipate completing soon unannounced inspections of every vendor and subcontractor worldwide, and this program will continue.

Mattel is also implementing additional protections. Vendors and subcontractors must segregate all production for Mattel and have dedicated storage for paint used on Mattel products. No subcontractor may further subcontract out any part of a job to other locations. Before using a subcontractor's components in Mattel products, a vendor must test samples of such components for lead paint. Finally, as noted above, the vendor and subcontractor are both subject to unannounced audits and are held accountable for our rules and requirements.

As I said at the outset of my testimony, these recent recalls have been a personal disappointment to me and, I am sure, to all of the thousands of men, women and parents who have always taken great pride in working at Mattel. As an industry leader, with some of the

world's best known and most trusted brands, we frequently help set new standards for the industry. We are by no means perfect. But we have tackled difficult issues before and demonstrated an ability to make change for the better, not only within our own company but for the broader industry. In this regard, we've created a new Corporate Responsibility organization reporting directly to me. The new organization adds an even greater level of accountability for adherence to the company's safety and compliance protocols.

Media coverage of the voluntary recalls we have announced has been helpful in spreading the news to consumers. Unfortunately, in the course of that coverage, some opinions regarding the law and the Commission were attributed to me that I've never held, let alone expressed. We were even accused of being "unapologetic" in a newspaper in which we'd run ads apologizing. I believe that our actions, in close cooperation with the CPSC, in quickly identifying and announcing these recent lead recalls demonstrate that we are committed to the Commission and its processes.

We know we can continue to improve how we process and report safety issues to the CPSC. In that regard, we had initiated a dialogue with the Commission prior to this summer's recalls to develop a new set of reporting protocols.

Mattel believes in the Consumer Product Safety Act and its goals, and we would like to work with members of Congress to strengthen the Commission. We fully support the Commission and the vital work that it does, and we recognize that more resources are needed for the organization to carry out its important duties. Mattel also supports proposals that would ensure laboratories used for testing toys are fully qualified and are accredited by independent organizations.

I would like to conclude by reiterating my personal apology on behalf of Mattel and to emphasize our commitment to parents. The steps we have taken will strengthen the safety of our products. Parents expect that a toy carrying the Mattel brand is safe. Ensuring safety is crucial to the long-standing trust this company has built with parents for more than 60 years. There is simply nothing more important to Mattel than the safety of children.

Thank you for the opportunity to address these important issues with you today. I would be happy to answer any questions that you may have.